

BEST PRACTICES: DURING THE PROCESSING MONTH

ORGANIZE - FINISH WHAT YOU START

- ◆ Make sure that all electronic records (and paper notes) have been sent to the LOC, and that corresponding acknowledgements have been received and imported. Check EDConnect for files sent and received. You should identify all rejected transactions as they occur. Some schools find it helpful to run or use reports to identify their rejects (see list below).
- ◆ Consider managing timing issues so that you finish what you have started within that processing month.
- ◆ Check origination, prom notes, and disbursements for records not at an “A” status.
- ◆ Keep track of unfinished business with your transmission log, production schedule, or in other resources your school may have available.
- ◆ Useful Reports:

30 DAY WARNING REPORT

- ☐ Identifies unbooked loans – the origination record, promissory note, and/or 1st disbursement is missing.
- ☐ Does not show 2nd or subsequent disbursements
- ☐ Does not show adjustments
- ☐ Inactive loans are not included (The LOC provides an inactive loan report.)

BOOKED STATUS REPORT

May be designed to:

- ☐ Identify the status of origination, promissory note, and disbursements for each borrower transaction.
- ☐ Allow schools to identify transactions that have not been completely processed.

ORIGINATION STATUS REPORT

May be designed to:

- ☐ Identify any loan origination records that are not in an “A” (accepted) status so a school can resolve any issues and resubmit the origination record to the LOC.
- ☐ Identify any PLUS Loans with credit problems.
- ☐ Compare against internal records.

PROMISSORY NOTE STATUS REPORT

May be designed to:

- ☐ Identify the status of promissory notes. For example:
 - ✓ Identify any promissory notes that are in a “P” (printed) status but not signed. This could indicate that you have not received a signed promissory note from the borrower or that the record has not been updated to a signed status.
 - ✓ Identify records that have not been manifested but are in an “S” (signed) status. If there is no date in the manifest date field, then the record needs to be manifested and sent to the LOC.
 - ✓ Identify records that are in an “S” (signed) status and manifested but not acknowledged. The school will want to verify that the acknowledgement was pulled into their software to update records.

PENDING DISBURSEMENT REPORT

May be designed to:

- ☐ Identify any anticipated disbursements with no corresponding actual disbursements.
- ☐ Determine funding needs.
- ☐ Identify unrecorded disbursements.

ACTUAL DISBURSEMENTS – BOOKED AND UNBOOKED REPORT

May be designed to:

- ☐ Identify any actual disbursements that are unbooked.

Schools will want to quickly identify why the disbursement has not booked. There are three possibilities – the disbursement has been rejected, the promissory note is missing or rejected from the LOC, or the school has not imported the disbursement acknowledgement.

LOAN STATUS REPORT

May be designed to:

- ☐ Identify the origination, disbursement, and p-note status of all loan transactions.

This is an excellent way to examine and identify any and all transactions that are outstanding on a macro level.

SCHOOL/LOC LOAN TOTALS REPORT

May be designed to:

- ☐ Identify disbursements that are in the DL System but which have not been acknowledged by the LOC. The school should examine the disbursement status along with the LOC Loan Total field.
- ☐ Identify disbursements that have not been sent, have not been acknowledged, or are rejected.

MONITOR YOUR CASH FLOW

- ◆ Reconcile all cash receipts and excess cash transactions with your internal records.
- ◆ Evaluate whether funds you are returning are excess cash or prepayments to a borrower's account and then send them to the correct address.
- ◆ If you sent unused funds, make sure that the check was cashed, and check to make sure that any corresponding adjustments were made to a student's record.
- ◆ Request a list of all cash receipts and excess cash from your CSR at the LOC. You can compare this against your internal records.
- ◆ Make sure that cash receipts and unused funds are posted to the correct academic year.
- ◆ Use the monthly cash detail provided in the DLSAS to compare against your internal records.
- ◆ Ensure that all Direct Loan funds requested are either disbursed or returned to the Department.
- ◆ Useful Reports:

CASH BALANCE REPORT

May be designed to:

- ☐ Identify on a summary level how much DL money has been received at your school and how much has been credited to student accounts.

This is an excellent report to identify, at any given point, a school's cash balance. This would also be useful to compare against the monthly DLSAS report.

PERFORM INTERNAL RECONCILIATION: ENSURE THAT THE BUSINESS OFFICE RECORDS MATCH YOUR DIRECT LOAN SYSTEM RECORDS

- ◆ Improve automation between Financial Aid and Business Office Systems.
- ◆ Form reconciliation and DL processing teams and conduct regular meetings.
- ◆ Compare the Financial Aid and Business Office Systems based on totals and/or student detail.
- ◆ Develop procedures and schedule for internal reconciliation and assign responsibilities.
- ◆ Useful Reports:

DISBURSEMENT COMPARISON REPORT

May be designed to:

- ☐ Identify transactions in a school's Business Office System with transactions in the school's Direct Loan System.

This report is critical to identifying outstanding disbursements missing from either system.

BEST PRACTICES: RECONCILIATION AND CLOSEOUT

KNOW WHERE TO START: THE DIRECT LOAN SCHOOL ACCOUNT STATEMENT (DLSAS) CASH SUMMARY

- ◆ Review the summary data for cash receipts, excess cash, and disbursements and compare these numbers to your school records. If you have separate Business Office and Financial Aid Office records, make sure you do a three-way compare of this data.
- ◆ Make note of any discrepancies between your totals and the DLSAS Cash Summary. This should narrow the field for the detail analysis to those areas in which you have identified discrepancies.
- ◆ Keep in mind that each system may account for cash receipts, excess cash, and disbursement transactions in a slightly different way. You will need to take this into account when conducting your comparison of the three systems.

KNOW WHERE TO GO NEXT: THE DLSAS CASH AND/OR LOAN DETAIL

- ◆ Concentrate on areas where you found discrepancies in your summary totals.
- ◆ Use all available tools at your disposal, such as:
 - ❑ Bank statements and canceled checks
 - ❑ Business Office Ledgers
 - ❑ Student files
 - ❑ Financial Aid and Business Office Reports
 - ❑ Multiple years' DLSAS reports (this can help you identify issues that cross award years).
- ◆ Keep in mind that there may be a variety of reasons for any discrepancy. The following list includes some of the most common reasons for a discrepancy to occur, but you may want to come up with some of your own:
 - ❑ **Cash Detail Issues:**
 - ✓ Timing of drawdowns (i.e. -drawdown occurs at end of month, do not disburse until next month)
 - ✓ Drawdowns allocated to the wrong year (i.e.-school drew down funds in 98-99, but disbursed in 99-00).
 - ✓ Drawdowns split between award years (i.e.-school drew down lump sum amount, but disbursed across two different award years).
 - ✓ Excess cash sent back in the wrong year or used for a student in a different award year.
 - ✓ Excess cash returned that should have been a payment.
 - ✓ Payment sent that should have been excess cash.
 - ❑ **Loan Detail Issues:**
 - ✓ Timing of booked loans (i.e.-loan is disbursed at end of month, but the p-note does not arrive at the LOC until the following month).
 - ✓ Unsent/unacknowledged disbursement batches.
 - ✓ Disbursements recorded in your Business Office System but not in your Direct Loan System.
 - ✓ Unbooked records.
 - ✓ School data loss.

KNOW WHERE TO FINISH: MONTHLY VS. YEARLY ENDING CASH BALANCES

- ◆ You will know if you have completed your monthly reconciliation if:
 - ❑ All differences between the DLSAS and your internal records have been documented.
 - ❑ Timing issues have been identified and will be tracked for reconciliation in the next month's DLSAS.
 - ❑ Any corrective actions have been taken to ensure that all prior month issues will reconcile in the following month.
 - ❑ All reconciliation efforts have been documented for future reference and reviews.
- ◆ You will know if you have completed your yearly closeout process if:
 - ❑ You have completed your reconciliation process as outlined above;
 - ❑ All LOC transactions should match up to all school Direct Loan System transactions and Business Office System transactions;
 - ❑ Your ending cash balance on your DLSAS, your 732LOS report, and your internal school records are all equal to \$0; and
 - ❑ All actual disbursement records should be booked at the LOC, so that the DLSAS and 732LOS reflect a \$0 unbooked balance.
- ◆ Keep in mind that if you have been reconciling monthly, you should be ready to closeout at the end of your processing year. Make sure that all issues have been resolved, and that your balance is at \$0 in all systems (business office, Direct Loan, LOC).
- ◆ Useful tools and resources for closing out a program year:
 - ❑ DLSAS Reports for all open Program Years
 - ❑ 732LOS Report
 - ❑ Compare Program (available from your CAM for EDExpress and mainframe schools, or you can create your own).
 - ❑ Cash Receipts and Excess Cash Reports from the LOC (available from your CSR or CAM).
 - ❑ Internal disbursement and booked loan reports, run at the loan and disbursement level.
 - ❑ Internal cash reports, summary and detail.
 - ❑ Loan Detail Exception Reports (Export Message Class: DERC00IN) can be run for booked loans for a single month, or unbooked loans for year to date.
 - ❑ Written Procedures for Reconciliation and Closeout.
 - ❑ Format for documenting any issues and their resolutions (spreadsheet, action item list, other).
 - ❑ Historical documentation of your monthly reconciliation process and any issues identified and resolved.
 - ❑ Contact your CAM or your CSR for assistance.